

INDUSTRY UPDATE

Biweekly Period Ending April 20, 2002

Phoenix Metro Area

Transportation, Communications, and Public Utilities

Hoping to cash in on a niche market, **Hawaiian Airlines** will start **daily non-stop service** between Phoenix and Honolulu in **October**. The Honolulu-based carrier estimates that **70,000 Arizonans travel to Hawaii annually**. The only other airline serving that route, American Trans Air, flies only twice a week. Recreational air travel, including to Hawaii, has been steadily improving since Sept. 11, but the overall industry is still weak.

Finance, Insurance, and Real Estate

Despite one of the worst stock markets in recent history, **Edward Jones** still plans to **hire 200 employees this year** at its **regional headquarters** at **Arizona State University Research Park** in Tempe. The St. Louis-based brokerage firm **currently employs 125 workers** at one of three office buildings it expects to build at Price and Elliot roads. Among **areas** where Jones **plans to add positions** are **call and operations support, information technology, and training**. Annual pay for these jobs will range between \$20,000 and \$40,000, the company said.

Trade

Two restaurant chains (one Valley based) have **major plans for growth** in the Phoenix metro area and beyond. **P.F. Chang's of Scottsdale**, which recently reported strong quarterly earnings, said it will **open its first west Valley China Bistro restaurant** (Peoria) and **two Pei Wei Asian Diners** in the **east Valley** (Gilbert, Fountain Hills) as part of nationwide expansion plans to **add 20**

locations by year's end. There are currently 67 China Bistro and seven Pei Wei restaurants nationally. ... Atlanta-based **Chick-fil-A** expects to compliment its Valley mall locations with **12 to 15 free-standing locations** in the Phoenix metro area over the **next couple of years** as part of a national expansion of 80 restaurants. The 56-year-old Chick-fil-A is unusual among restaurant chains in that it is closed on Sunday.

Continuing to reel from the high-tech slump, Tempe-based **Avnet Enterprise Solutions** will **cut 160 jobs nationally**, of which **25** will come from **Valley operations**. A division of Phoenix-based Avnet Inc., one of the world's largest suppliers of electronic and computer parts, Avnet Enterprise Solutions provides systems integration for Avnet's Computer Marketing Group.

Government

Believing (maybe falsely) that government jobs bring a measure of security in times of uncertainty (also see Tucson Metro Area, below), **job applications** at **Valley cities** have **doubled** (and in some cases, tripled) in the last year. The city of Phoenix reported that 243 job openings in the fourth quarter of 2001 attracted more than 12,600 applications, compared to 6,800 replies to 271 jobs in the fourth quarter of 2000. While a \$30,000 customer-service position in Chandler drew 350 applications this past winter, a year earlier it might have received 100 responses, a city official said. Of course, a **20 percent increase** in the **Valley and state's unemployment rates** the past year would also account for the higher number of city employment applications.

The **city of Glendale** expects to **add** about a

dozen positions, costing \$3 million over the next three years, to **keep** the **Phoenix Coyotes arena** project **on schedule**. **Most** of the **positions** will involve **building and fire inspection** of the \$180 million arena that is scheduled for completion in late 2003 (see April 6, 2002, *Industry Update*).

Tucson Metro Area

Manufacturing

Although no additional employment is expected in the near-term at their Tucson operations, **two high-tech companies** recently **announced** some **positive news**. **Texas Instruments**, the largest computer chip producer in the metro area, has seen **increased demand** for its **chips used in airport scanning equipment**. Designed and developed at the Tucson facility, the TI circuitry has been around since the mid-1980s as part of tomography (CT) scanners used in the medical field. Although the **chips no longer are produced in Tucson**, expect TI's overall business to increase as the federal government recently awarded a \$400 million contract for airport scanners, which will eventually be installed in the country's 100 largest airports. ... **IBM's Storage Systems Division** in Tucson, which employs around 1,600 people, has agreed to a multi-year **business alliance** with **Hitachi Ltd.** of Japan to shorten the time to get the **next generation of storage devices** (e.g., hard disks) to consumers. Using the new open standards-based technology, the companies expect to jointly produce hard drives by combining their research and development, manufacturing, and sales and marketing operations. **IBM** was **unable** to say how the **alliance** might eventually **affect employment** at its **Tucson operations**.

After six years and \$40 million of research, a start-up Tucson business expects to begin **producing** a lighter, thinner **solar-array panel** for the **commercial market** by the **end of 2002**. **Global Solar Energy Inc.**, which was partially funded by Tucson Electric

Power Co., said its **workforce may double to 150** when it goes into **full production later this year or early in 2003**. Currently being tested by the military, the electricity-producing, photovoltaic solar device could have applications across many industries, including being used by electric companies to produce solar power, the company said. More information is available at the manufacturer's Internet site: www.globalsolar.com.

More than **20 high-paying jobs** (\$50,000 and above) will be created when a Pittsburgh, Pa., **anti-cancer drug maker moves** its **headquarters** and **research operations to Tucson**. Six-year-old **ProlX Pharmaceuticals** chose the area because it **shares** a \$6 million **research grant** with the **University of Arizona Health Sciences Center**, a leader in the cancer-research field. The move also bodes well for Tucson's burgeoning biotech industry, Tucson Mayor Bob Walkup said.

Construction

Work officially **began** in mid-April on **\$84 million in building projects** at the **University of Arizona**. Among the projects are: **two dormitory buildings** — one opening in summer 2003 and the other in summer 2004 — that will house 770 students at Highland and Sixth; an \$18 million **office building and garage**, directly west of the dormitories, set for completion in February 2003; and a \$19 million **health service facility**, directly north of the dormitories, expected to open in fall 2003. Although going through tough budget times, UofA is able to pay for the three projects by issuing 20-year bonds.

Services

Call center **APAC Customer Services Inc.** is **adding 250 customer-service representatives** and **15 supervisors** to handle a **contract** it was recently awarded by **Washington Mutual Inc.**, the country's largest home mortgage originator. The additional jobs, which will be located in a new 63,000-square-foot facility (1650 S. Research Loop), will bring

Illinois-based **APAC's workforce to about 700** in Tucson. Starting pay for customer-service workers will be \$8 an hour.

Government

A number of **Tucson-area public-sector positions** are **in jeopardy** due to declining tax revenue. Recently announcing cutbacks were the **city of Tucson, Pima County, and the Tucson Unified School District**. However, **only the school district**, which is considering contracting out food service and maintenance operations, **expects layoffs** at the present time. The **city plans to eliminate about 100 positions**, but expects to **avoid layoffs through turnover** and by **transferring** affected **employees** in areas (such as waste management) to **vacant jobs**. The **county** also wants to **transfer 70** soon-to-be laid-off **child-support workers into vacancies**, but may not be able to accomplish the task before funding for their current jobs ends June 30.

Balance of State

Transportation, Communications, and Public Utilities

The Arizona Corporation Commission (ACC) approved a **1,080-megawatt power plant** in **western La Paz County near Interstate 10** that will create **several hundred jobs** during the **construction phase** and about **25 full-time positions** when **complete by 2005**. Expected to begin construction later this year, **Allegheny Energy Inc.** will build the \$540 million, natural gas-fired plant, which will primarily provide electricity to California. The **Commission required** that the project developer **establish a program** with a local community college, labor union, or contractor to **fill skilled positions** for the construction, operation, and management of the power plant. The power plant was the 15th approved by the ACC since 1998.

Government

Like many school districts across the state hav-

ing to deal with budget deficits, **Humboldt Unified School District** in **Prescott Valley** said it will be forced to **lay off about 20 percent of its 315 teachers** at the **end of the school year** (also see Tucson Metro Area, above). A combination of a sluggish economy, higher salary costs, and smaller-than-anticipated enrollment have contributed to Humboldt's budget woes.

Statewide

Trade

Move over Walgreen's, Osco, and CVS, more competition is coming your way in Arizona. The **first of 60 planned drug stores** for the state (primarily in the Phoenix and Tucson metro areas) by Florida-based **Eckerd Corp.** will **open** by the **end of the year**. Coming only a year after Rhode Island-based CVS announced its intention to enter Arizona's market and take on the state's two largest drug store chains — Walgreen's (187) and Osco (94) — Eckerd has more than 2,600 stores in 20 states. **CVS**, which has the nation's largest number of stores (about 4,200), expects to **open its first three locations** — one each in Chandler, Gilbert, and Mesa — in Arizona by the **end of 2002**. Meanwhile, **Walgreen's and Osco** are **continuing to expand** their statewide operations. **Walgreen's, which** opened 30 stores in the past year, plans to **add 20 more by 2003**, and **Osco** is currently **opening new stand-alone locations and mini-stores inside Albertson's supermarkets**. The aging baby-boom generation — "hooked" on medication for every ailment — is driving the growth in Arizona and nationwide, say industry officials.

Government

County officials, worried about a loss in revenue due to the sluggish economy, are **lobbying legislators to avoid** a proposal made by Gov. Jane Hull in mid-March to **shift \$42 million in state services to counties**. As part of a plan to solve a nearly \$1 billion state

deficit, the governor proposed moving state prison inmates to county jails, withholding the state's share of payments for indigent health care, and suspending money for pay raises for county probation officers. Unlike the state, **counties** have been **buffeted** somewhat **from severe deficits** because of **increasing property taxes** due to higher home valuations, said an official in the Governor's Office. Recently announced proposals by the Legislature to fix the budget deficit may be friendlier to counties. But the final outcome probably won't be known until the end of May. Stay tuned!

Already reeling from millions of dollars in losses and lower credit ratings, Denver-based **Qwest Communications International** will be **challenged** for local customers **by MCI Group** in 32 states, including Arizona. A subsidiary of WorldCom, Inc., MCI will be the first company to directly compete with Qwest in Arizona by leasing Qwest's phone lines. (Cox Cable provides local phone service in Arizona (in the Phoenix metro area) over its cable system.) Not necessarily because of the MCI move, **Qwest** announced in mid-April that it will **lay off** by the end of September an **additional 2,000 employees**. Qwest, which said the layoffs **will not affect** its 7,700 **Arizona employees**, will have cut its total workforce by 20 percent (to 53,000) when the layoffs are complete.

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